

Trading Strategies Involving Options

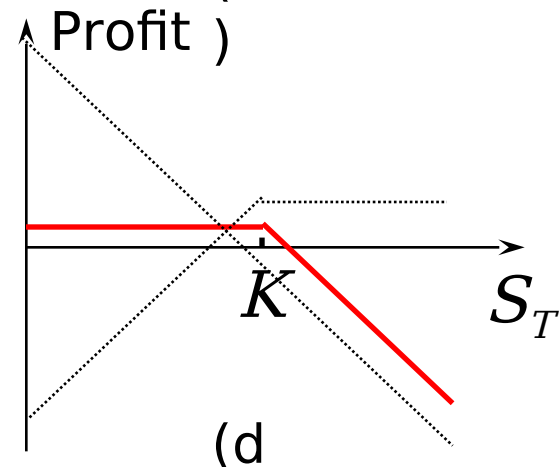
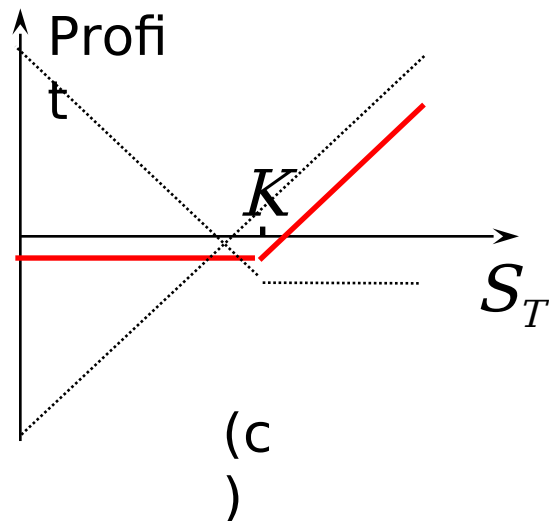
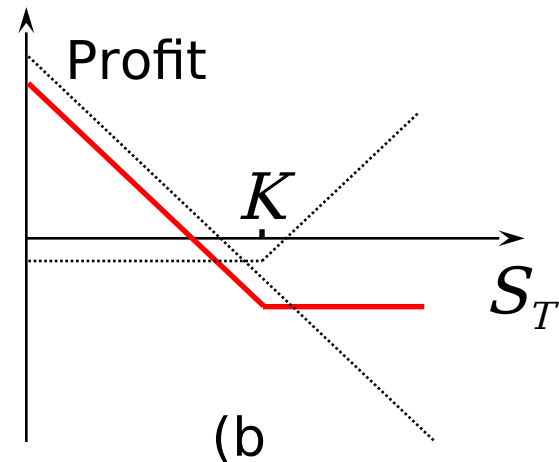
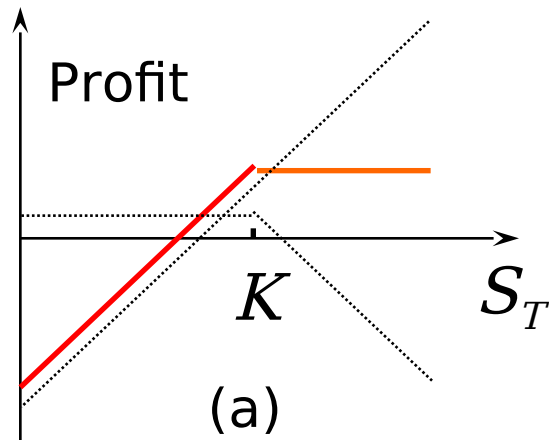
Chapter 10

Types of Strategies

- Take a position in the option and the underlying
- Take a position in 2 or more options of the same type (A spread)
- Combination: Take a position in a mixture of calls & puts (A combination)

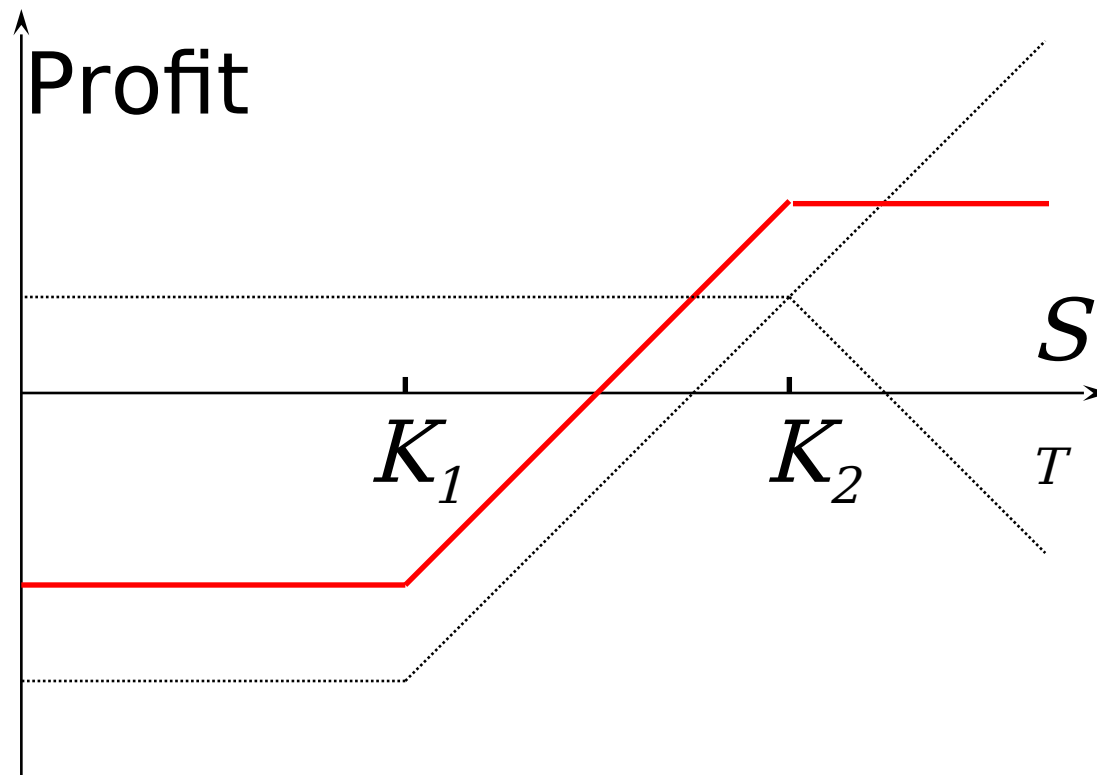
Positions in an Option & the Underlying

(Figure 10.1, page 220)



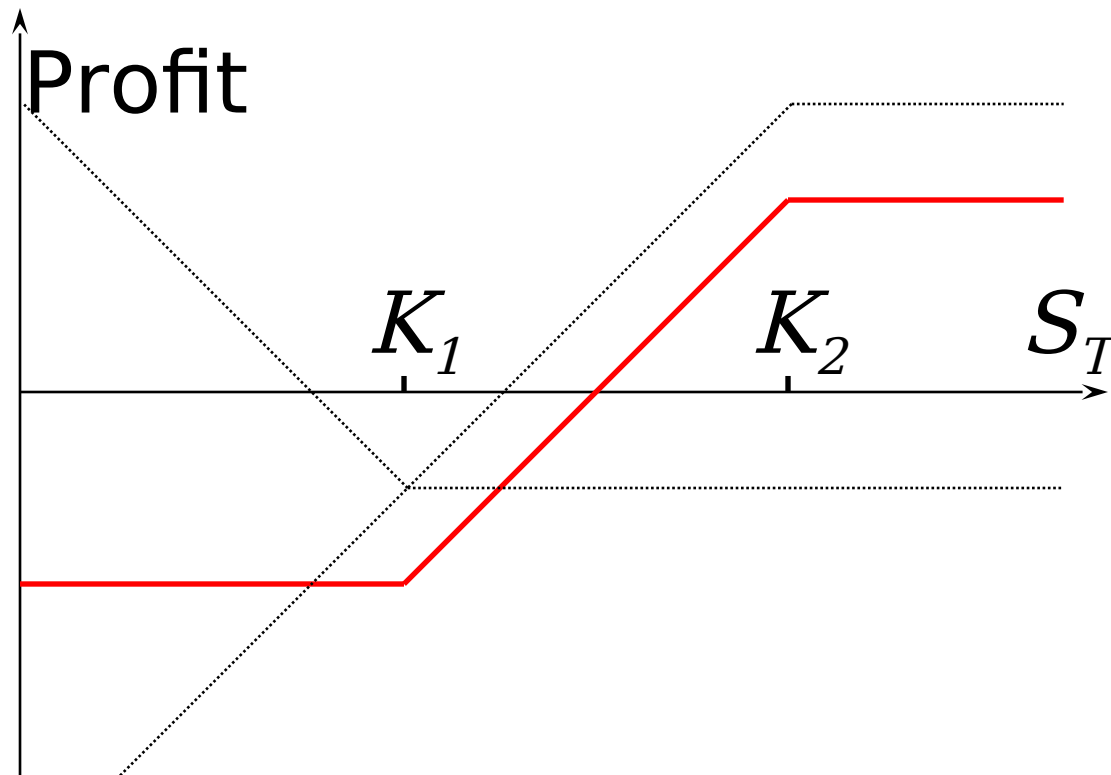
Bull Spread Using Calls

(Figure 10.2, page 221)



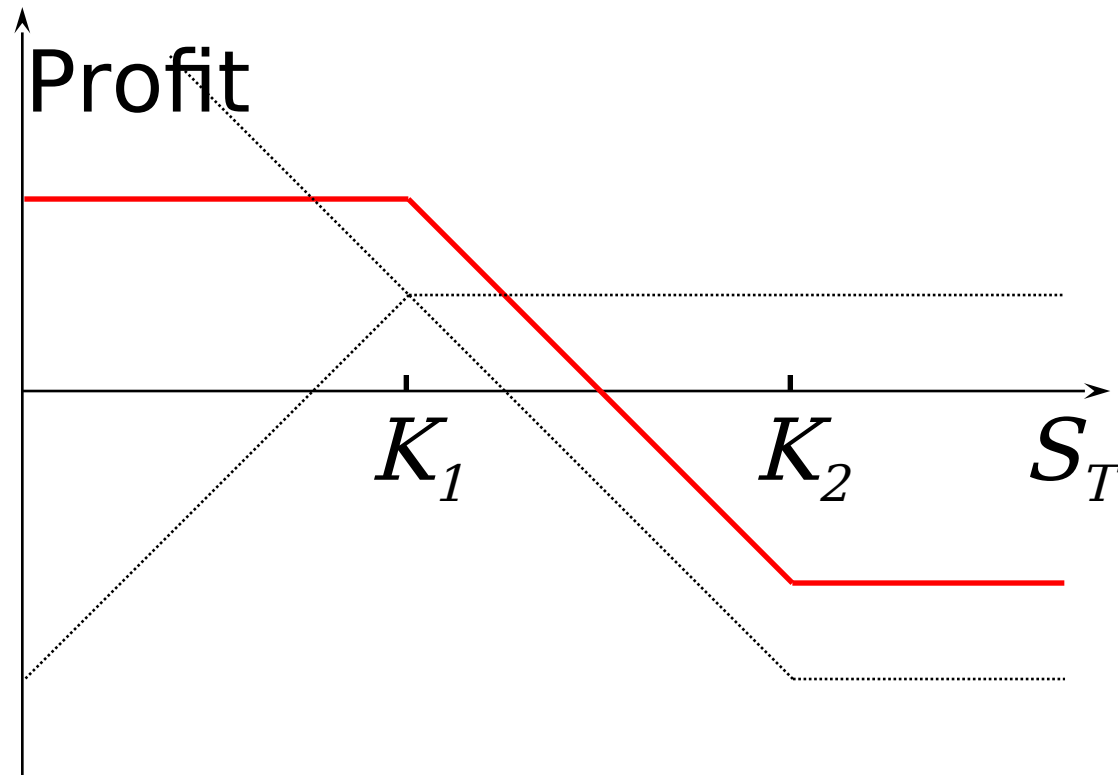
Bull Spread Using Puts

Figure 10.3, page 222



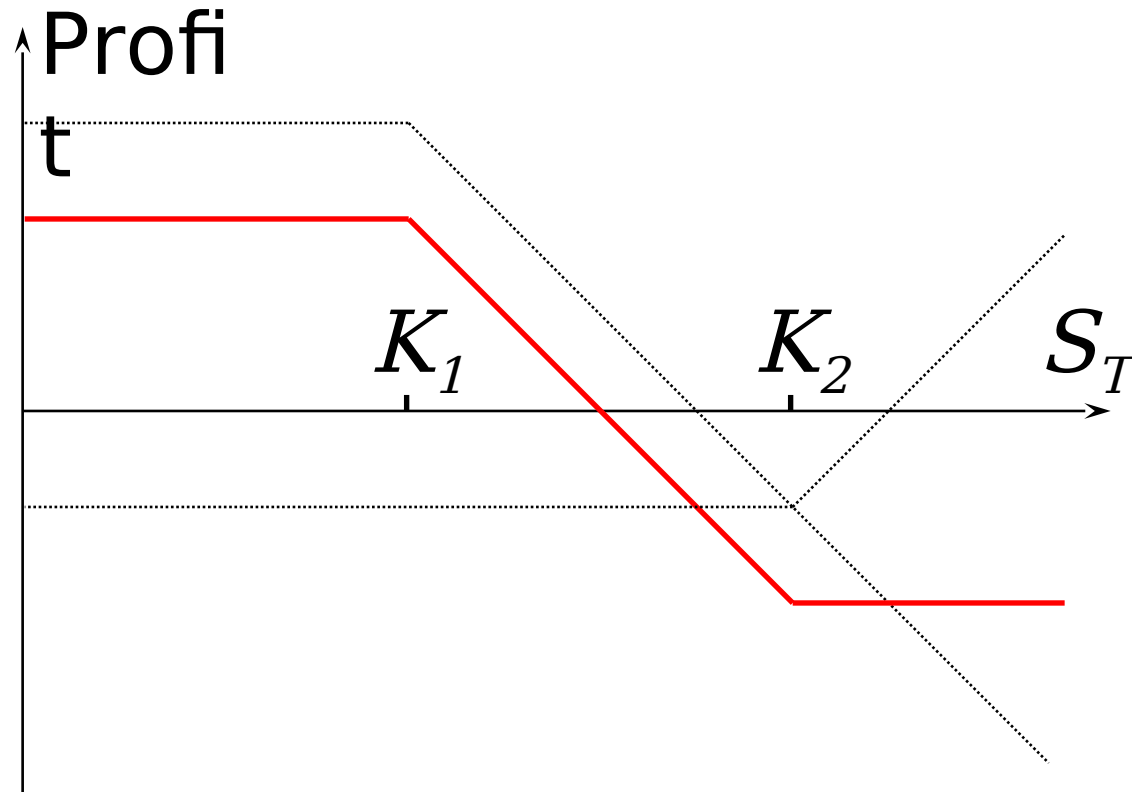
Bear Spread Using Puts

Figure 10.4, page 223



Bear Spread Using Calls

Figure 10.5, page 225

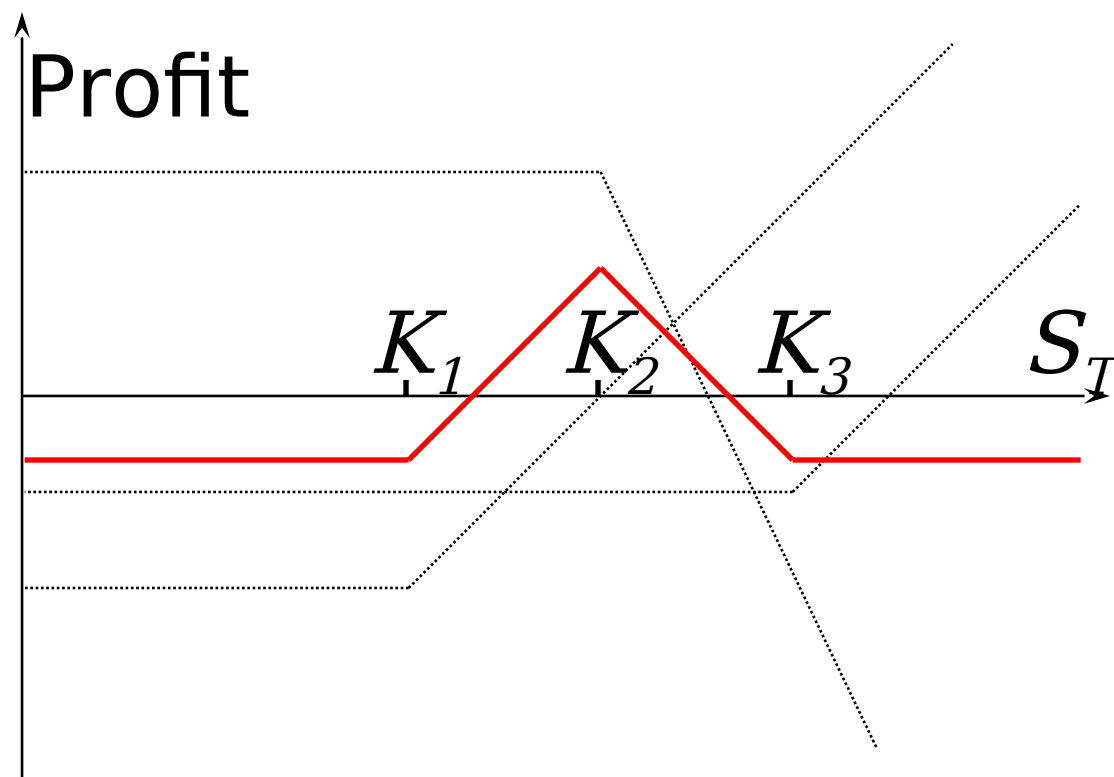


Box Spread

- A combination of a bull call spread and a bear put spread
- If all options are European a box spread is worth the present value of the difference between the strike prices
- If they are American this is not necessarily so. (See Business Snapshot 10.1)

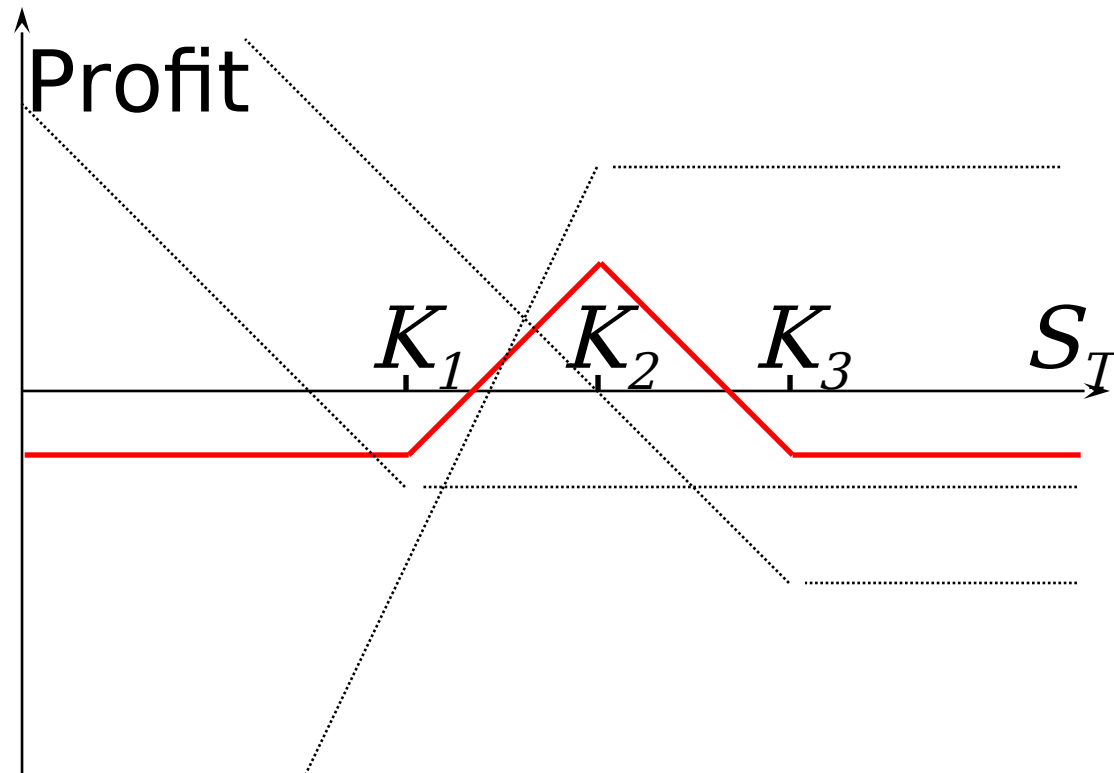
Butterfly Spread Using Calls

Figure 10.6, page 227



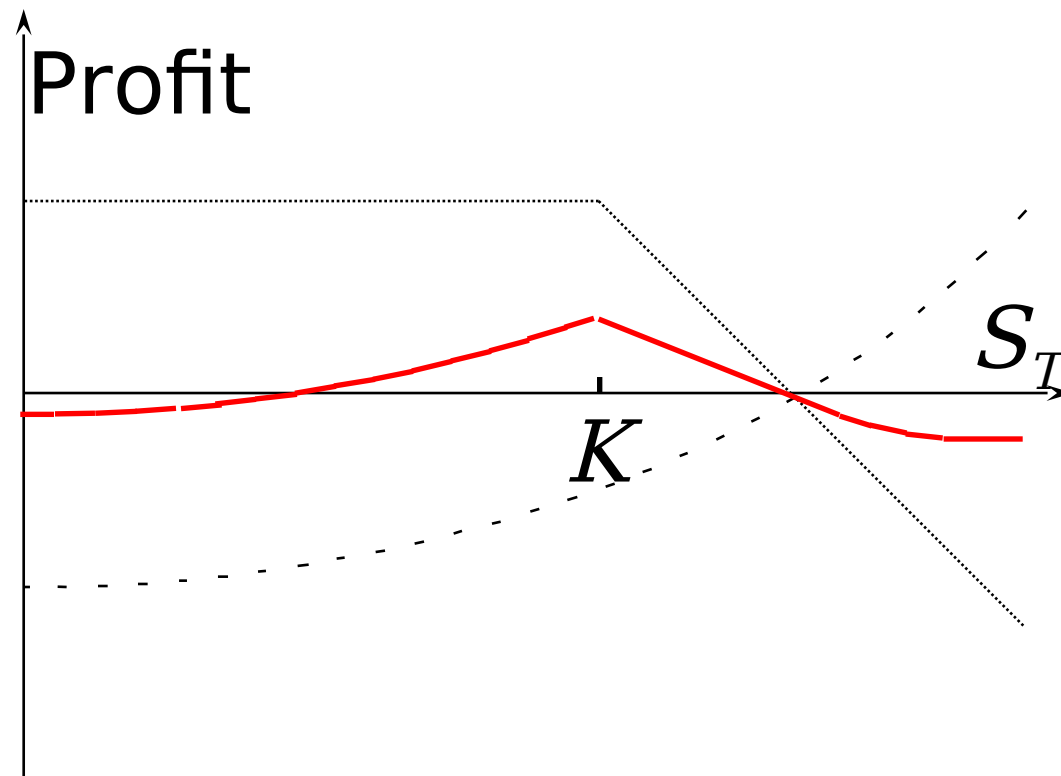
Butterfly Spread Using Puts

Figure 10.7, page 228



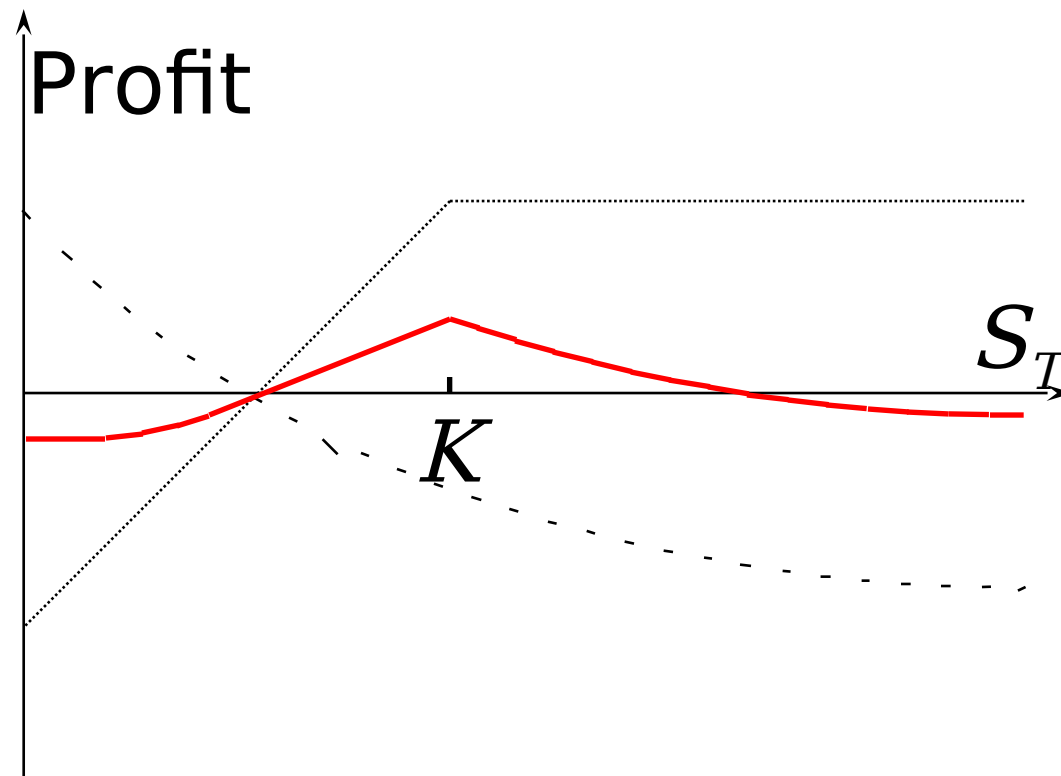
Calendar Spread Using Calls

Figure 10.8, page 228



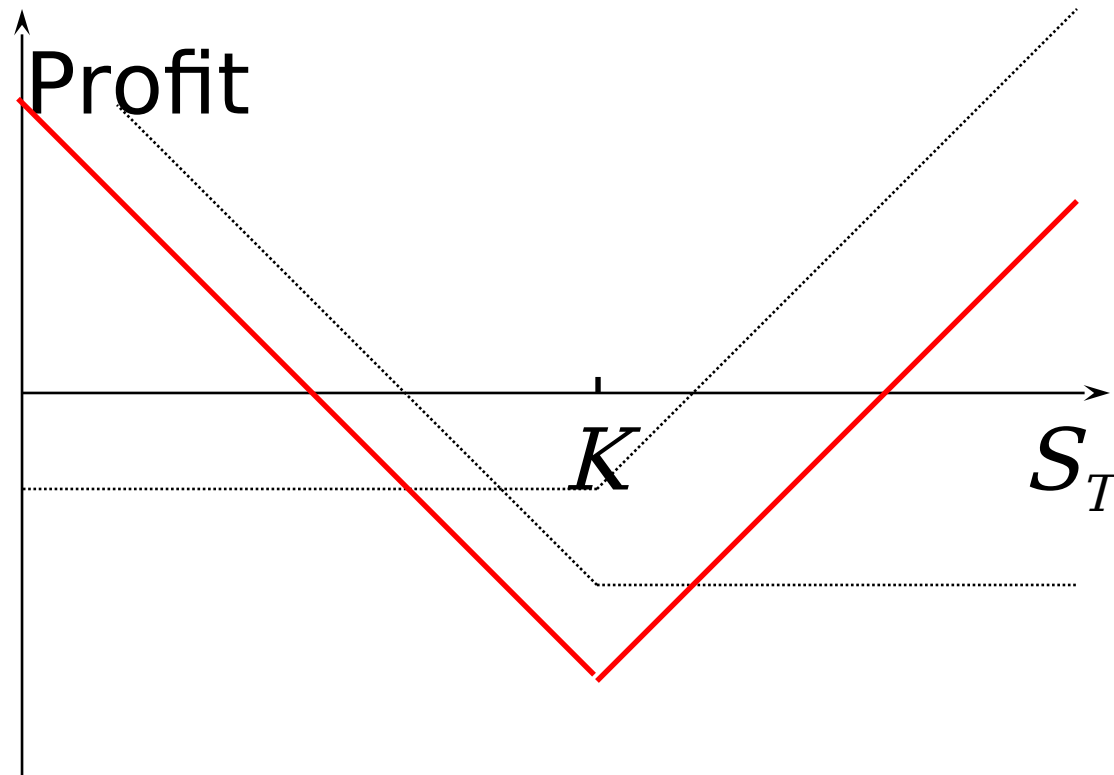
Calendar Spread Using Puts

Figure 10.9, page 229



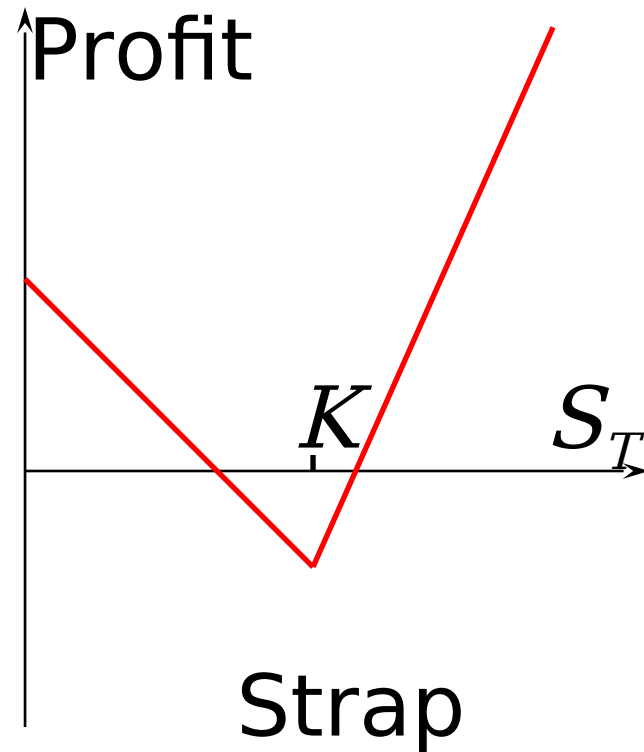
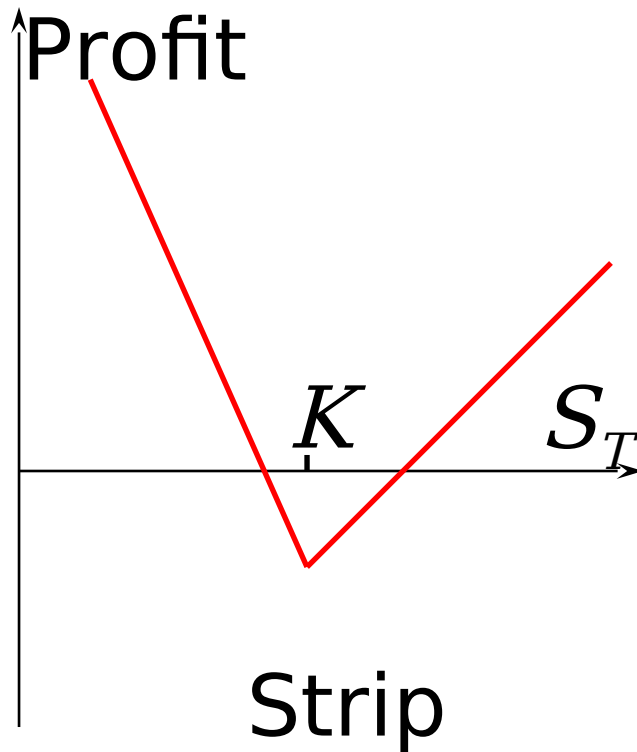
A Straddle Combination

Figure 10.10, page 230



Strip & Strap

Figure 10.11, page 231



A Strangle Combination

Figure 10.12, page 232

